



Guideline

Park River City Sales and Use Tax

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Tax Commissioner

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Introduction

The Park River city commission imposed a 1 percent city sales and use tax effective January 1, 1995. An initiated measure approved in the November 2004 general election increased the Park River **sales tax rate** from 1 percent to 2 percent effective January 1, 2005. ***Please note that the initiated measure increased the sales tax rate but not the use tax rate.*** The Park River **use tax rate** will remain at 1 percent.

Although the Park River city sales and use tax is imposed by the city of Park River, the Office of State Tax Commissioner is the collection agent for the tax. Park River city sales and use tax is reported and remitted on the same tax return as the state and county sales and use taxes eliminating the need for multiple reporting forms and multiple tax payments.

For convenience, the Office of State Tax Commissioner has developed rate tables which combine city sales and use tax with state and county sales and use taxes. The Office of State Tax Commissioner assumes full responsibility for collection of the combined taxes including delinquency control, auditing and collection activity.

Imposition of Tax

The Park River city sales and use tax ordinance parallels state sales and use tax law. All exemptions applicable for state sales and use tax also apply to Park River sales and use tax including exemptions for tax exempt entities (schools, government agencies, hospitals, etc.) and some sales to Montana residents.

The proper execution of resale certificates, exemption certificates and processing certificates exempt sales and purchases from city tax as well as state tax. However, these certificates may not be used to exempt only state, county or city tax; either the activity is exempt from all three taxes or it is subject to all three taxes.

Additional Exemptions

In addition to the exemptions provided by state law, the Park River tax ordinance provides exemptions for sales of farm machinery and gross receipts from coin-operated amusement devices.

Maximum Tax Amounts

The Park River initiated measure maintains the \$25.00 maximum city sales and use tax charge. The city sales tax is limited to \$25 per single sale or purchase transaction ($\$1,250 \times .02 = \25), and the city use tax is limited to \$25.00 per single sale or purchase transaction ($\$2,500 \times .01 = \25) involving one or more items.

Collection and Payment of Tax

Because the initiated measure increased only the sales tax rate, retailers located inside the city limits of Park River must collect 2 percent sales tax when the customer takes possession of the goods within Park River. Retailers located outside of Park River will continue to collect 1 percent use tax on goods delivered by the seller into the city.

- **Local Sales** tax applies to **sales** when retailers located within the city limits sell goods to customers that also take possession of the goods within the city limits.
- **Local Use** tax applies to **sales** when retailers located outside of Park River sell goods and deliver them into the city limits of Park River.
- **Local Use** tax also applies to goods **purchased** or **acquired** outside the city limits of Park River and brought into the city limits for storage, use or consumption. The use tax due is reduced by the amount of local tax due and paid to another city or county.

City tax is imposed on taxable sales when possession of the goods transfers to the purchaser or the purchaser's agent within the city limits. For retailers located within the Park River city limits, **the 2 percent city sales tax** is imposed when the purchaser takes possession of the goods at the retailer's location. For retailers located outside of the Park River city limits, **a 1 percent city use tax** is imposed when the retailer delivers the goods either by the retailer's delivery vehicles or by common carrier to the purchaser within the Park River city limits.

When the retailer delivers the goods to a customer outside of the city limits either by the retailer's delivery vehicles or by common carrier, the sale is exempt from Park River city tax. However, the purchaser will be subject to **a 1 percent city use tax** if the purchaser takes the goods into Park River for storage, use or consumption.

Park River retailers making taxable retail sales within the city of Park River must collect the 2 percent Park River city sales tax. Retailers located outside of Park River (including retailers located in another city that imposes a local sales tax) must collect the 1 percent Park River city use tax on taxable goods they deliver into Park River either by the retailer's own vehicles or by common carrier if the retailer has a sufficient business presence within Park River. A sufficient business presence includes, but is not limited to, the following: sales or service people working in Park River; regular or frequent deliveries into Park River with the seller's own vehicles; property ownership or use including lease or rental within Park River; or contractors working in Park River on behalf of the retailer.

Goods acquired outside the Park River city limits (without the payment of Park River city tax) are subject to **1 percent city use tax** when entering the city for use, consumption or storage within the city limits. Tax is due on the cost or fair market value of the goods when they enter Park River. In such situations, it is the responsibility of the consumer to report and pay the city tax liability, not the seller of the goods.

Leasing or rental companies with property located inside the Park River city limits must collect the **2 percent city sales tax** on lease or rental payments. Effective January 1, 2005, city sales tax must be added to all lease or rental payments, including those contracted prior to January 1, 2005.

Contractors

Contractors and subcontractors who use tangible personal property in the performance of construction contracts within the Park River city limits are subject to Park River city tax. City tax may be paid directly to the seller of the material or may be accrued by the contractor for payment to the Office of State Tax Commissioner. As is the case under state law, a contractor or subcontractor is subject to use tax regardless who owns the goods unless the 2 percent city sales or 1 percent city use tax already has been paid on the goods.

Construction material purchased inside the Park River city limits for use inside the city is subject to the 2 percent city sales tax. Construction material purchased from a Park River retailer but delivered by the retailer outside the city limits for use outside the city is not subject to city tax. Contractors that take delivery of materials inside the Park River city limits but provide a contractor's certificate to defer payment of the tax at the time of purchase, are subject to the following Park River tax when the goods are installed regardless if the goods are used inside or outside of the Park River city limits:

- Two percent city tax if the goods were purchased from a retailer located within Park River.
- One percent city tax if the goods were purchased from a retailer located outside the city limits of Park River.

Construction material purchased outside of Park River but used inside the Park River city limits is subject to the 1 percent city use tax if the materials have not been subjected to another city's 1 percent sales or use tax.

It is important to note that the \$25.00 city tax cap is calculated on each material purchase a contractor makes to fulfill a construction contract, not on purchase orders or the entire construction contract itself. Accordingly, most construction activity which is subject to city sales or use tax will include more than \$25.00 in total city tax costs.

For purposes of the \$25.00 city tax cap, a purchase or sale is determined by the seller's normal billing method. Each invoice issued by the seller is considered a sale and is subject to the \$25.00 city tax cap. If a supplier makes multiple deliveries to a job site but bills all the deliveries in one invoice, only one sale has taken place. However, if the seller invoices each delivery separately, each delivery is a sale and is subject to the \$25.00 sales tax cap.

The additional 1 percent Park River city sales tax does not apply to construction material used to fulfill contracts bid prior to January 1, 2005.

The following table lists the combined state, county and city sales and use tax due on transactions within the city limits of Park River:

Type of Sale or Purchase	Type of Tax	Combined Tax Rate	State Rate	City Rate	County Rate
General	Sales Tax	7¼%	5%	2%	¼%
	Use Tax	6¼%	5%	1%	¼%
Natural Gas	Sales Tax	4%	2%	2%	Exempt
	Use Tax	3%	2%	1%	Exempt
New Farm Machinery	Sales Tax	3%	3%	Exempt	Exempt
	Use Tax	3%	3%	Exempt	Exempt
New Farm Irrigation Equipment	Sales Tax	5%	3%	2%	Exempt
	Use Tax	4%	3%	1%	Exempt
New Mobile Homes	Sales Tax	5¼%	3%	2%	¼%
	Use Tax	4¼%	3%	1%	¼%
Gross Receipts Coin-operated Amusement	Sales Tax	5¼%	5%	Exempt	¼%
	Use Tax	5¼%	5%	Exempt	¼%
Lodging: Hotel, Motel and Tourist Court Accommodations Bed and Breakfast Accommodations*	Sales Tax	8¼%	6%	2%	¼%
	Use Tax	7¼%	6%	1%	¼%
	Sales Tax	7¼%	5%	2%	¼%
	Use Tax	6¼%	5%	1%	¼%
Alcoholic Beverages	Sales Tax	9¼%	7%	2%	¼%
	Use Tax	8¼%	7%	1%	¼%

*Bed and Breakfast Accommodations licensed under North Dakota Century Code ch. 23-09.1

Questions concerning the Park River city sales and use tax may be directed to the Office of State Tax Commissioner. You may contact the Office of State Tax Commissioner by phone at 701.328.3470, by e-mail at salestax@state.nd.us, or by mail at Office of State Tax Commissioner, Sales and Withholding Taxes, 600 E. Boulevard Ave. Dept. 127, Bismarck, ND 58505-0599.